

SOCIAL CRM: INTEGRATING SOCIAL MEDIA WITH CUSTOMER RELATIONSHIP MANAGEMENT

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RESUMO

Desenvolver relações de longo prazo com clientes tem sido o “Santo Graal” buscado por todas as empresas na nova economia e vários esforços tem sido nesta direção tem sido feitos. Entretanto, customer relationship management (CRM) demanda mudança de atitude corporativa, na qual o foco em transações é substituído pelo foco no relacionamento. Porém, desenvolver relacionamentos perenes exige que as empresas participem das conversas entre clientes e aprenda a ouvir o que eles dizem. Infelizmente, soluções tradicionais de CRM não oferecem aos clientes a oportunidade de se expressarem da maneira necessária para que se desenvolvam relacionamentos verdadeiros entre eles e as empresas das quais são clientes. Enquanto isso, o surgimento das novas “tecnologias sociais”, chamada Mídias Sociais, criou um ambiente onde pessoas se relacionam de maneiras nunca vistas. Discussões sobre os mais diversos assuntos ocorrem nestes espaços sociais virtuais. Desta maneira, o grande impacto desta “revolução social” não pode ser ignorada e, em um ambiente competitivo, companhias tem que alinhar suas estratégias de CRM com este fenômeno social. Esta tentativa de integrar Mídias Sociais ao CRM tem sido chamada “social CRM”. Este artigo tem por objetivo definir o que é social CRM e apresentar seu impacto nos processos de CRM.

RÉSUMÉ

Le développement d'une relation avec les clients est le “Saint-Graal” poursuivi par toutes les entreprises dans la nouvelle économie et celles-ci multiplient les efforts en ce sens. Cependant, le customer relationship management (CRM) demande un changement du focus des affaires, dans lequel une transaction basée en vente est remplacé par le marketing relationnel. Pourtant le développement de relations durables exige que les compagnies apprennent à écouter ce que les clients ont à dire. Malheureusement, les traditionnelles CRM ne peuvent pas donner aux clients l'opportunité de s'exprimer par les moyens nécessaires pour que les compagnies développent des relations fiables. Pendant ce temps-là, l'arrivée des nouvelles « technologies sociales », appelées les Média Sociaux ont créé une ambiance où les personnes ont des relations avec les autres, d'une façon jamais vue avant. Discussions autour de sujets les plus variés ont été réalisés dans ce domaine virtuel. Par conséquent, le grand impact de cette « révolution sociale » ne peut pas être ignoré dans un milieu compétitif, les compagnies doivent accorder leurs stratégies de client actuel avec ce phénomène social. Cette tentative d'intégrer les médias sociaux et CRM est appelée social customer relationship management (social CRM). Cet article vise à définir le social CRM et à montrer les impacts des médias sociaux sur les processus de CRM.

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ABSTRACT

Developing a long term relationship with customers has been the “Holy Grail” pursued by all companies in the new economy and many efforts towards it have been done. Nevertheless, customer relationship management (CRM) calls for businesses focus shift, in which transaction based selling is replaced for relationship based marketing. However, developing lasting relationships demands that companies take part in customers’ conversation and learn to listen to what customer say. Unfortunately, traditional CRM systems cannot give customers the opportunity to express themselves in ways that are necessary for companies develop trust relationships. Meanwhile, the flourish of new “social technologies”, called Social Media, has created an environment where people relate with one another in ways never seen before. Discussions about all sorts of subjects have taken place in these virtual social settings. Therefore, the huge impact of this “social revolution” cannot be ignored and, in a competitive environment, companies have to align their current customer strategy with this social phenomenon. This attempt of integrating social media with CRM has been called social customer relationship management (social CRM). This article aims to define what social CRM is, and present the social media’ impacts on CRM’s processes.

Area: Network (Redes)

Keywords: *customer relationship management (CRM); social media; social CRM; brand community; web 2.0*

1 - INTRODUCTION

Nowadays, customers have changed their relationship with vendors shifting from a passive perspective to an active participation in marketing communication process. Instead of waiting for information about products releases or for having technical support, they have taken on part of these responsibilities by helping one another to solve technical problems, advising peers during purchase decisions, and praising or criticizing products by using a variety ways. Hence, we can no longer consider call centers the primary channel used by clients to speak out their purchase experience. Now, they carry it out by virtual communities.

Although social communities are not a new phenomenon, having a long history in social theory, they have drawn attention from practitioners and academics lately, specially the online communities, which have been boosted by advent of Web 2.0. O’Reilly (2005) coined the term Web 2.0, defining it as a second generation of internet technology platform which main characteristic is the flourish of new tools that allows social interaction among users (e.g. wikis, blogs, video sharing, social communities, etc.). Through intensive adoption of these tools, users have established online communities, consisting of people who engage in computer-supported social interaction offering an increasingly prominent context for interpersonal exchange (Preece, 2000). Online communities also allow members to continuously express themselves and access group opinions. As such, online communities provide a highly accessible and efficient source for evaluating and adjusting one’s own thoughts and actions in light of input from socially relevant peers within a community.

The inherent internet characteristics (freedom and openness) bring a sort of difficulties for those interested in exploring the power behind the online communities, for example how to identify who is actually talking, how influencer he is, whom they are influencing and what message he has sent. Besides, ethical questions also arise: is it ethical to lurk customers’ online social interaction?

The huge impact of this “social revolution” cannot be ignored and companies have to align their current customer strategy with this new social phenomenon. This attempt of integrating social media with the current customer relationship management (CRM) strategy has been called social CRM.

Conceptual frameworks and theory are typically based on combining previous literature, common sense, and experience (Eisenhardt, 1989). Thus, in this article, I reviewed the literature on CRM, virtual communities and social media so as to summarize the conceptual ideas behind social CRM’s processes. Since academic research on social CRM is limited, I also used non-academic research papers, which were selected and based as much as possible on the reputation and the validity of their source. Finally, I undertook in depth interviews with CRM professionals to get insights on social CRM adoption in Brazilian market.

2 - SOCIAL MEDIA IMPACT

Social media has called attention because of its popularity among web users. They have spent together over 110 billion minutes a month on social networks and blog websites. Besides, three of the most visited online brands are social media related: Facebook, YouTube, and Wikipedia. Among countries, Brazil is an outstanding example of social engagement with 86% of active internet users participating in social media. Australian web users average the most time spent on social media websites, about seven hours in April 2010, followed by the United States and Italy with about six and a half hours each¹.

Moreover, social media has boosted an ancient human characteristic: taking part in discussions about personal preferences for books, cars, cell phones, and babies. Thus, such social movement has called attention from companies willing to know what is on their customers’ mind.

Meanwhile, companies have tried many models of using social media services with CRM strategy. For example, Ford’s Fiesta Movement contest gave 100 Fiestas to people to drive. Thereafter, they shared their drive experience through social media services, such as Facebook, YouTube, and Twitter. It resulted in 11 million social networking impressions, 11.000 micro bloggers messages (e.g. Twitter), 11.000 posted videos, and five million engagements on social networking sites (Kiley, 2009).

In order to enhance the dialogue with customers and improve service experience, the company has approached a group of bloggers that write about new product releases, promotions, and also answer questions from customers.

The field experience also showed that companies sometimes use social media to improve communication with their customers or influence messages that are broadcasted via social media channels. Another example is giant Domino’s Pizza, in which two employees uploaded videos showing how they defiled food bound for customers. As a result, the company had its fifty-year reputation and tradition history damaged. As a response, Domino’s uploaded institutional videos on YouTube and propagated it via Twitter so as to apologize for its fails. Thereafter, Domino’s has been forced to incorporate social media into their corporate agenda.

Previous researchers such as Bose (2002) and Payne and Frow (2005) describe how CRM can create more personal interaction with customers. Traditionally, this interaction flows in only one

¹ NilsenWire (2010). *Social Networks/Blogs Now Account for One in Every Four and a Half Minutes Online*. Retrieved October 17 from http://blog.nielsen.com/nielsenwire/online_mobile/social-media-accounts-for-22-percent-of-time-online/

way, from companies to customers. However, none of these authors mentioned a two-way interaction process, which is the case of social network interaction. Social network is left completely out of the picture in the traditional CRM model. It implies a loss of opportunity because social media can be a great source of information on customers' habits. Besides that, social network offers interactivity and engagement to customers. Recently, there has been a rise in scientific articles about Social Media and Enterprise 2.0 (Anderson, 2007; Bughin, 2008; McAfee, 2006; Mello, 2007; O'Reilly, 2007; Soriano, Lizcano, Cañas, & Hierro, 2007). However, none of these authors associated the use of Social Media to CRM strategies. Mohan, et al. (2008) states that social CRM combines social media features with current CRM Systems, allowing companies to keep track of online and off line customers' interactions and creating real time reports and statistics.

3 - CRM PERSPECTIVES

Researchers and practitioners have approached CRM basically through two perspectives: CRM as business strategy or CRM as information technology.

From a strategic perspective, CRM is a group of processes designed to optimize profitability, revenue and customer satisfaction by organizing the enterprise around customer segments, fostering customer-centric behaviors and implementing customer centric processes (Lett & Gartner, 2004). This definition draws attention to the companies' internal operational processes, but little consideration is given to the relationship developed between company and customers, in which the latter are active actors. Another missing element is the technology platform that sustains the CRM processes. The technology platform is one important piece, since it would be impossible to manage millions of client transactions, and create and share valuable information without a well designed CRM technology system.

On the other hand, CRM can be considered just a complex of software and technologies, automating and performing business processes throughout companies' areas: sales, marketing, service, and customer support (Urbanskienė, Žostautienė, & Chreptavičienė, 2008). However, the above perspective is even more limiting and misses important aspects related to CRM, such as those linked to business strategy, customer participation, and others.

Payne and Frow (2005) posit that CRM is concerned with creating improved shareholder value through development of appropriate relationships with key customers and customer segments. CRM blends the potential of relationship marketing strategies and information technology to create profitable long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use customer data so that companies can understand customers and co create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology and applications. Payne and Flow (2005) present what they called a CRM continuum, which portrays a variety of CRM's sub definitions, depending on company foci. It ranges from strategic to tactical approaches. The former is related to a holistic and managerial aspects and the latter is linked to the technology that accomplishes the strategy.

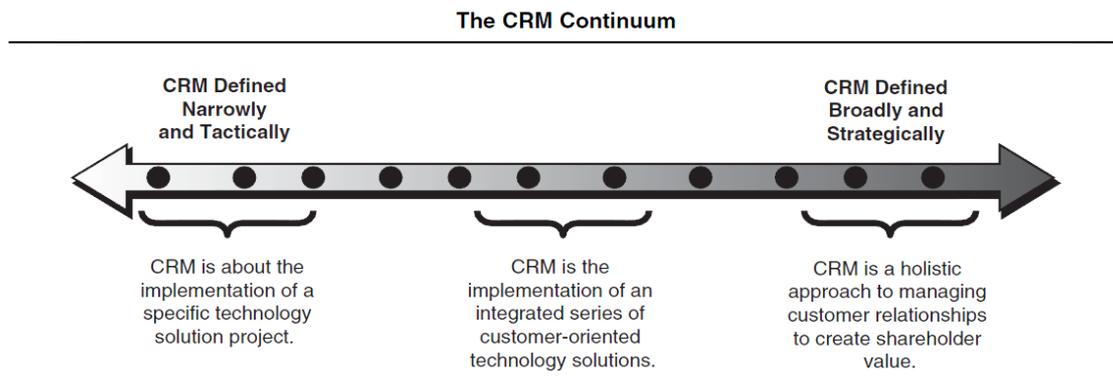


Figure 1: CRM Continuum (Payne & Flow, 2005)

A holistic CRM approach creates many advantages, allowing companies to establish strategies to carry out the introduction of customer relationship philosophy.

4 - SOCIAL MEDIA - THE WEB 2.0

According to O'Reilly (2007) Web 2.0 can be defined as a set of principles and practices that combine a large amount of web sites where users can interact with one another, sharing and creating content.

Mello (2007) explains that along with the web 2.0 advent, the boundaries of the Web have shifted. Web 2.0 makes the traditional internal versus external edges of organizations disappear, which means that Internet-borne security-threats are threatening employees in an organization. Web 2.0 makes use of various technologies such as AJAX and JavaScript, which behave in non-traditional way, making traditional security technologies inadequate. Software applications run on the Web as well as on desktop and they are sometimes combined. Furthermore, there are also boundary shifts in the producer-customer relationship. Customers have moved towards the producer side and the Web is making its way to become our desktop, which also arises potential security threats. The shifts in boundary also have a cause and effect relationship with privacy, because more personal information may be publicly available on the Web (Reinhard, 2009).

It can be argued that Web 2.0 lowers the barriers to entry, making it a matter of a few mouse clicks to create, publish, and view on the Web. This is called User Generated Content (UGC) which stands for self-publishing and individual creativity (Ullrich, Borau, & Luo, 2008). UGC is the basis of the success of Web 2.0 (Constantinides & Fountain, 2008). Examples of UGC include video uploads, podcasting, and product reviews. For example, product reviews on amazon.com are written by customers and not by the web site administrators. Knol et al. (2008) argue that content in Web 2.0 is more and more generated by individuals. UGC on the Web is becoming increasingly influential, as customers tend to trust peer reviews more than content created by commercial sources. Further, Web 2.0 makes perfect use of group knowledge because a group of people knows more a subject than one person do (Anderson, 2007). This is called 'Power of the Crowd'. A whole group can provide a lot of content that can eventually improve the service provided. A service improves its quality as more people engage making use of it, for example, Wikipedia - the online encyclopedia (O'Reilly, 2007).

However, there is a difference between the Power of the Crowd and UGC, because UGC is about individuals and the Power of the Crowd is about taking advantage of group-strength. The Power of the crowd is realized by network effects and occurs when an increasing amount of users is active on the Web using its services, and therefore increase its value (Knol et al., 2008).

The social media have the necessary elements to develop the digital version of real local communities, the virtual communities.

- Virtual Communities

Virtual communities are spontaneous social aggregations that emerges from the internet, when enough people carry on public discussions long enough, with sufficient human feeling, forming a complex network of personal relationship in cyberspace” (Hagel, 1999; Rheingold, 1993).

Some virtual communities are formed by people that share common passion, hobby or interest. In spite of having in common some preferences, they usually know little one another apart from this area of interest (Blanchard & Horan, 1998). A virtual community of interest that has been called attention from marketing researchers is that established around brands, also known as brand communities.

- Brand Communities

Brand communities are “entities that reflex the situated embeddedness of brands in day to day lives of customers and the ways that brands connect customers to the brand, and customer to customer”

(O’Guinn, 2001). Thus, the brand is the element that connects all members in this social aggregation and they are emotionally involved with it. McAlexander et al. (2002) has extended O’Guinn (2001) conceptualization by including the product and the marketer in his analysis. He states that besides members have relationship with the brand and others customers, they also relate with brand possessions and marketing agents.

Brand communities have the following characteristics: consciousness of kind, shared ritual and traditions, and moral responsibility (McAlexander et al., 2002; O’Guinn, 2001; Schau & Muniz, 2002).

- Consciousness of kind

Consciousness of kind is a cognitive process through which members exhibit a collective sense of connection to brands and other members (Muniz & O’guinn, 2001). It represents the sense of “belong to” a cohesive group that shares the same values.

Consciousness of kind results in self consciousness development among members, defining a group identity, a “community symbol”, which “is essential part of development of communal affinity.” (Madupu, 2006).

- Shared Rituals and Traditions

Rituals and traditions represent an important social process among members and are identified as shared history, culture, and consciousness(O’Guinn, 2001). However, the existence of such process can vary, depending on the age of the community. Older communities tend to have more traditions than newer ones (Schau & Muniz, 2002).

In general, this social process is centered on consumption experiences shared among members, helping to form and perpetuate the community’s cultural identity.

- Moral Responsibility

Member of brand communities show sense of moral responsibility towards other members and the community.

It is shown trough two ways and resemble communal missions:

- Integrating and retaining members
- Orienting less experienced members in the proper use of brand, products customizations, etc.

Integrating and orienting new members have been considered the basic rule found throughout all virtual communities. In turn, the sense of moral responsibility is one of strongest factors that assure the community survival over time.

Although all the reviewed authors agree that consciousness of kind, shared ritual and traditions, and moral responsibility are the main characteristics of brand communities, it is still unclear how these characteristics are developed among members. Madupu (2006) as well as McAlexander et al. (2002) suggests that they may result from the active participation of members in community life.

Member participation is a sign of life in a brand community and represents that the group is attaining its goals. On the other hand, low level of participation represents that the virtual community was just set up or it has faced problems and may end up dying.

Members can be defined as actives and passives, the latter is also known as “lurkers”. Madupu (2006) states that “lurkers are free riders that derive benefits from online communities without contribute anything to them”. In general, lurkers outnumber active members. The balance between active and passive participants determines the community success.

Regarding the motives that carry member to participate, Wang et al. (2002) have established a framework that defines four basic motivational forces or needs behind member participation: Functional, social, psychological, and hedonic needs.

Functional needs are related to fulfillment of specific activities, for example need for information. In turn, social needs are related to creation of relationship among members, communication, and mutual support among members to accomplish tasks that a member could not do alone. Psychological needs are natural needs and can be unfolded in three ways: affiliation, sense of belonging, and identification. Sense of belonging and affiliation are related to the need of belonging to a group, in which members are recognized and respected. Identification is represented by a mirror effect caused when members see their idiosyncrasies reflected in the group attitude and behavior. Finally, Hedonic needs are experiential needs involving emotional responses or fantasies addressed to accomplish desires for enjoyment, pleasure, amusement, fun, etc.

5 - SOCIAL MEDIA AND CRM

As the number of people engaged in social media increases, the “CRM socialization”, more this phenomenon draws attention from scholars and practitioners. Thus, many companies have striven to explore ways to integrate social media in their current CRM strategy.

Mohan et al. (2008) state that social CRM combines social media features with current CRM Systems, allowing companies to monitor and understand the online and offline interactions of customers with brands on a personal basis, and creating real time reports and statistics.

Sarner et al. (2002) define social CRM as “applications used by sales, marketing, and customer service organizations to engage customers or prospects along any CRM process.” Furthermore, they may engage customers in co-creation of new products or services, generation of brand awareness, aid in information gathering and evaluation decisions, purchase process, or connection with post purchase activities, for example customer service, as well as marketing support process for post-purchase dissonance.

- *Co-creation of new products*

Companies can involve customers in early products' development stage. It helps a company to create products that match with customers' desires. Besides, this process enhances the customer perception of product value (Satish Nambisan, 2002; Prahalad & Ramaswamy, 2004).

- Generation of brand awareness

Brand awareness is the customer's ability to retrieve the brand from memory (Kathuria & Jit, 2009). As a result, companies with high customer brand awareness increase their probability of being chosen among competitors. Then, it is not only important to increase brand awareness, but crucial.

Companies develop customers brand awareness when their products and messages continuously communicate to customers a relevant message and provide good use experience. Then, in order to reach this relevancy, companies have to know where their customers are and what exactly they want. In this sense, Social Media provide both as it is the "place" where customers are exchanging their preferences, dislikes, and desires in a recordable way.

Social media allow companies to "listen to" what customers are telling, while engaged in virtual conversations. Active listening fosters parties to reveal their needs and desires. This openness gives to company valuable information that can be used to develop customer oriented products and services. Besides, companies can continuously relate with customers by co-creating activities, customer communities' sponsorship and many other social related activities through social media. All these interactions increase customer brand awareness.

- Aid information gathering and evaluation decisions

As Social Media get together a huge number of customers, it allows companies to create effective and low cost product evaluation campaigns, assess updated customers' personal information, and come up with ideas for new products, or new applications for current ones, what can nudge the companies' strategic efforts to the right course.

- Pre and post Purchase process assistance

During the purchase process many people ask for advices to help them to choose the brand/product that better fit their needs. This behavior of seeking and giving advices is rather common in brand communities, where many social media users are influencers and after trying out a product, they voluntarily share their experience in the virtual communities they participate in (Brown, Broderick, & Lee, 2007; Goldsmith & Horowitz, 2006).

In particular, patient buyers (those who purchase products after making some comparisons) and analytical buyers (those who do substantial research) are increasingly likely to seek out online forums to assist in their purchase decision. Overall, this information is trustworthy as people tend to rely in what other like minded people say than what a company states. Then, companies have to identify these influencers and provide them with all help in order to guarantee that the correct message be divulged and that all problem identified be fixed before it compromises the company reputation.

As stated before, social media users would rather have peers as advisers than contact companies' support center. Accordingly, social media has undertaken many post purchase activities; for example, many online communities have forums dedicated to discuss product proper use, tips about product's accessories, making small repairs, store locations, and so forth.

Although it is useful for customers, companies cannot assure that information exchanged through social media is correct or updated. It can cause many misunderstandings and harm companies'

image. In order to avoid this worst scenario, companies should explore strategically this social characteristic to reduce their post purchase efforts, heading customers to communities where they can find information that they need.

6 - SOCIAL CRM DEFINITION

Overall, industry observers agree that social CRM integrates traditional CRM's tools and strategies with social Media in order to improve customer's brand experience and create positive brand awareness through a continuous engagement in online customers' conversations.

Based on the information given so far and a systematic review of several definitions available, Social CRM is defined as a business strategy focused on integrating customers in active relationship, based on mutual value creation, collaborative communication, and customer's engagement. It is supported by social media applications and business processes.

It involves an interactive exchange in which businesses and customers can 'engage into', fulfilling customer needs and expectations with the business. Engagement is about offering points-of-contact (or monitoring existing ones) by which there can be an interaction with customers. Social CRM creates a two-way interaction between parties and gives customers ownership in their conversation with the firm (Greenberg, 2001; Shimp, 2009). People want to feel they belong to a group and engage in a relationship with companies they do business with (Shimp, 2009). Then, the fundamental pillar of social CRM is to develop lasting customer relationship via using Social Media services, which will make customers comfortable while they interact with companies. Moreover, it will provide new opportunities for companies to engage with customers by joining in open conversations with them and prospects, while resisting the urge to control those conversations (Drury, 2008; Greenberg, 2009).

Hinchcliff (2009) visualizes how the connections in a social CRM landscape would appear. First, customers become trusted-advisors for other customers as they collaborate and share information in Social Media. Then companies promote the ongoing dialogue between customers, workers, partners and industry experts. It generates a shared or group intelligence that emerges from the collaboration of many individuals from the community, where customers are demanding a personal relationship with a salesperson or customer service agent and not with a brand. The relationship can be extended over time, even years, and be a multi-phase, multi-channel interaction for more involved relationships. Finally, it will create personal relationships that drive advocacy and improve communication with customers.

Social CRM benefits

The Social CRM's benefits include ultimately improving profitability or another measure of customer value by moving the customer through a process such as building trust, gaining customer insight, differentiating products or services, increasing sales, improving up selling or cross-selling, gaining word-of-mouth advocacy, increasing the overall customer experience, and potentially lowering the cost of service.

Additionally, companies do not have to develop new customer channels as consumers choose their own social platform to communicate. Companies can also benefit from the public conversations in Social Media quickly and inexpensively collecting powerful data to accelerate market research, measure company effectiveness, and improve brand messaging. They can tap into customer intelligence and customer experience through an ongoing dialogue with customers (Nambisan & Baron, 2007).

On the other hand, customers can benefit from this strategy by assisting in company engagement processes (such as a purchase process) and using social CRM tools to access and filter more, and potentially better, information on products and services. They use applications for self personalization, setting their own level of engagement with a company, managing their online persona/reputation (controlling what personal information gets used/accessed), and forcing companies toward a customer communication pull model, instead of one controlled and pushed by the company. Social CRM applications can also benefit customers by fulfilling important human motivational needs such as improved self-esteem, respect, belonging, and friendship.

7 - SOCIAL CRM CONCEPTUAL MODEL

During the literature review, five generic processes had been found and they established the base for social CRM framework, they are (a) the strategy development process, (b) the value creation process, (c) the multichannel integration process (it was divided into social channels and non social channels), (d) the information management process, and (e) the performance assessment process. This conceptual framework extends the work of Payne and Frow (2005), who present an interactive set of processes covering the long term business strategies determination, customer strategy elaboration, value co creation, which is made by customers' relation with a variety of channels, and improvement in business results and increased share value (performance assessment process). All these process are performed by intense use of information technology.

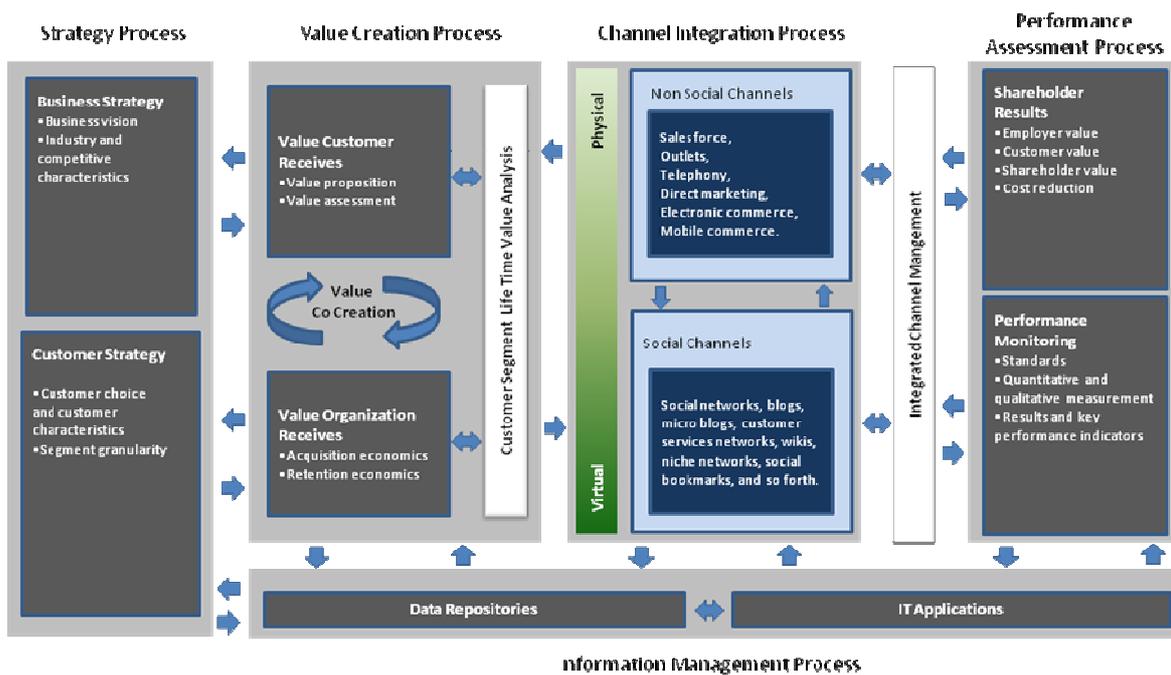


Figure 2: Social CRM processes, adapted from Payne and Frow (2005)

Although Payne and Frow's framework represents a traditional CRM process adequately, it demands some adjustment so as to incorporate social media's characteristics. Below, I described the processes and their respective changes in order to develop a social CRM conceptual framework.

a - Social CRM Strategy development Process

The strategy process is focused on translating and integrating the business's vision, mission and long term objectives into customer strategy. Hence, it has to be carried through these two viewpoints: Business strategy and customer strategy.

- Business Strategy

The business strategy development has been well documented in marketing literature, for a review see Sumer (2012). However, social CRM brings new challenges and some observations are necessary.

First, because of the fast changes rates in social media, it is rather difficult to define a long term strategy including social CRM. A single year could represent the extinction of some social websites and the advent of others. Companies have to take into consideration all changes in the social media environment and continuously review their strategy. Second, social media strategy is cross departmental subject matter. Then, it is mandatory that companies ensure that there is clarity in business objectives so that primary involved parties (customer service, marketing, sales, partner management, and product management/product development) have the same ultimate perspective, even unfolded in department's specific objectives.

- Customer Strategy

Payne and Frow (2005) state that customer strategy is related to how companies decide to segment customers and build of strategies to address these customers, for example levels of granularity, identification of key customer segments.

Social Media requires that companies, while segmenting customers, take into accounting other aspects, such as status and personas/profiles throughout virtual communities. For example, one form of segmentation, more obvious for social Media, is the self-segmentation (Dejean, 2008; Huehn, 2007). On Social Media platforms, consumers are increasingly segmenting themselves into communities based on common characteristics, passions, interests, and needs. Self-segmentation, or group segmentation, is likely to be much more accurate and reflective of consumers' attributes than traditional segmentation on demographic and psychological variables. It reflects not only the true interests of consumers but, more important, also involves their connection to like minded people.

b - Value Creation Process

The value creation process transforms the outputs of the strategy development process into programs that extract and deliver value (Payne & Frow, 2005). In short, value is any kind of benefit that customers perceive while consuming services or goods (Brito & Brito, 2012). During the value creation process, companies should define the value provided to customers, the value expected to be created by customers, and ways to manage the exchanging of value.

The value provided to customers is the pillar of this process, if customers do not perceive any product's or service's value, the relationship will not develop. As a result, companies will not receive any value back, and will end up bankrupting. Then, in order to avoid it, companies should understand customers' needs and create products to fit them. One strategy is to engage customers in the early stages of products development process, which increases the chances of success and creates customers' commitment to the product created, since it is also their creation. This process is called co-creation. But, where do companies find co-creators? Virtual brand communities gather together people interested to enhance products and come up with new ideas.

Pitta and Fowler (2005) state that social media leader users (experienced users) can be engaged in three product development process: Idea generation, screening new products and development.

Idea generation

Since lead users are passionate customers, they strive to try and buy the newest releases. Consequently, they are usually first to find out problems, elaborate creative solutions, and come up with new insights on new products' applications and characteristics. It can reduce company development efforts and increase chances of product acceptance and advocacy.

Screening new products

Screening is the process of filtering or classifying new product developments before they start demanding significant investments. Then, having experienced customers stressing new ideas during screening allow companies to identify products' weaknesses that could jeopardize marketing acceptance. In other words, "there is no substitute for user input that reflects the complex operating environment found in a particular community of practice. These users provide a measure to evaluating product ideas" (Pitta & Fowler, 2005).

Developing

Leader users are likely to participate during prototype tests, highlighting main products' characteristics, which can be explored later during sales campaigns, and point out potential problems. Moreover, it is useful to count on leader user's experience, as they can test products in ways that never could be done by regular customers or testers.

Farquhar and Rowley (2006) point out other two ways by which social media creates value: value through community existence and commerce. The former happens when virtual communities get together people from specific demographics and interests. It creates opportunity to exchange valuable information about products and services. The latter relates to ability of communities members negotiate good prices with vendors, since they can get together and co buy products in wholesale basis.

c - Channel Integration Process

Payne and Frow (2005) point out that multi channel integration process takes the outputs of the business strategy and value creation processes and translates them into value-adding activities with customers. This process aims to define what the most appropriate combinations of channels to use, how to ensure that customers experience positive interactions with those channels, and how to create and present a unique customer profile throughout CRM's channels.

The original channel integration approach set differences regard how virtualized a channel is. It ranged from pure physical settings (e.g. stores) to pure virtual settings (e.g. websites and email marketing). However, social media brings more complexity to this process, besides virtualization approach, companies should take into account channel socialization level. Socialization level is related to channels' ability of allowing customers to relate to one another and, afterwards, create virtual communities. Therefore, channels were classified in physical channels and virtual channels. Virtual channels can be non social virtual channels and social virtual channel.

- *Physical Channels* are those which relationship with customers is established through "in person" interaction, for example, sales force and outlets.

- *Virtual Channels* are those which relationship with customers is mediated by electronic/virtual means, for instance, e-mail and commercial websites.

- *Non Social Virtual Channel* is characterized by high visualization, but do not let customers interact with one another.

- *Social Virtual Channel* is the channel by which relationship with customers is mediated by virtual tools that enable business to consumer and consumer to consumer relationship (B2C2C.)

Another characteristic that differentiates Social Virtual Channels is the communication flow. Social media has omnidirectional communication flow (figure 3).

Consumers interact in several ways and levels, not only with company, but with peers (potential buyers), whom they give and ask opinions about personal and technical issues, purchase needs included. In this way, customers are not only the ultimate goal, but a mean, through which company can reach other customers.

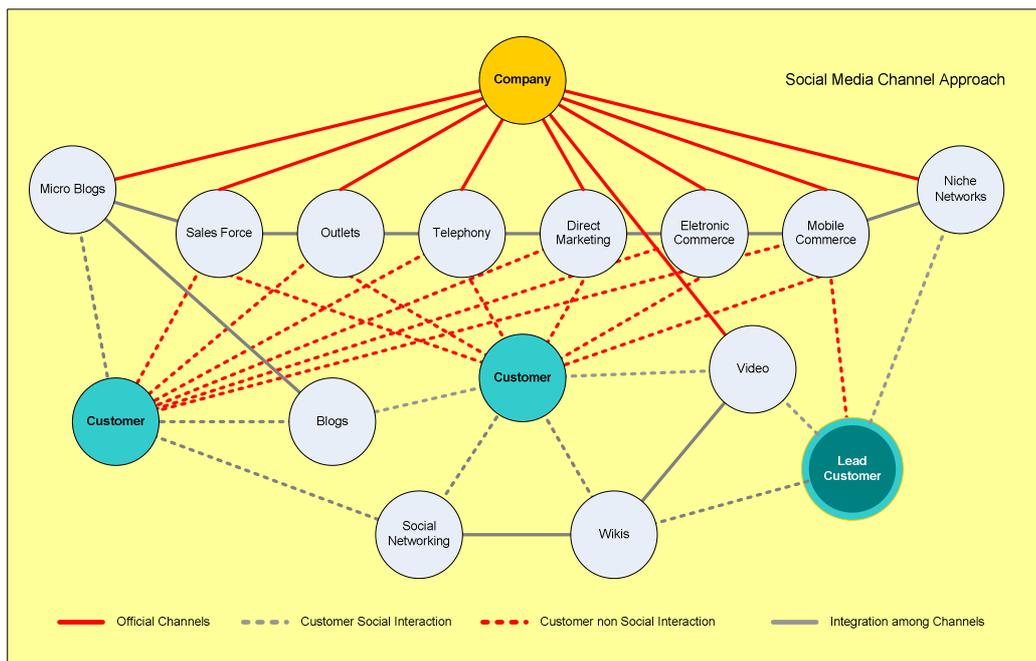


Figure 3: Social Media multiply the ways that costumers relate with company.

Unfortunately, manage the conversation that takes place in social media is a challenge for companies just because nobody controls the internet.

During the interviews, CRM specialists agreed that channels integrations are the main CRM's issue and companies are just scratching the surface of the problem. Moreover, some of challenges behind channel integration are the result of erroneous decisions that companies have made over time. For example, companies have implemented many CRM systems and modules from different vendors, which were designed to fit only local business requirements, usually overlooking a holistic multi departmental approach. As result, silos of customers' data have been kept isolated in several departments, spreading different information about customers. Thereby, customers experience an inconstant service level throughout company's channels.

d - Information Management Process

Information Management process comprises getting, storing, and analyzing customers' data so as to create appropriate marketing response (Payne and Frow, 2005). It encompasses the infrastructure (hardware and software) that supports all transactions run by companies and customers.

Winer (2001) states that the first action during a CRM implementation is to set a customer data store. He indicates the main sources of customer data are the transactions - customers purchase history (e.g. price paid, SKU, delivery date); customer contacts - comprising all interaction happened over time triggered by customer or company; descriptive information - data used for segmentation sake and other data analysis activities; and response to marketing stimuli – Data collected from marketing campaigns.

Social media challenge companies' ability to manage consumer data, since the communication is unstructured (e.g. pictures, products personal reviews, personal remarks, blogs' and micro-Blogs' texts, etc). This characteristic prevents companies from harvesting customer social information by using traditional mechanisms. It requires a mix of social research tools, for instance netnography, besides powerful index content tools.

Social CRM Data Analysis

Unstructured data contains emotional information and complex semantic relations that have to be further analyzed. Below, it is showed an example from Calabridge® natural language processing.

1 – Textual data is collected from customers' reviews and decomposed (Figure 4).

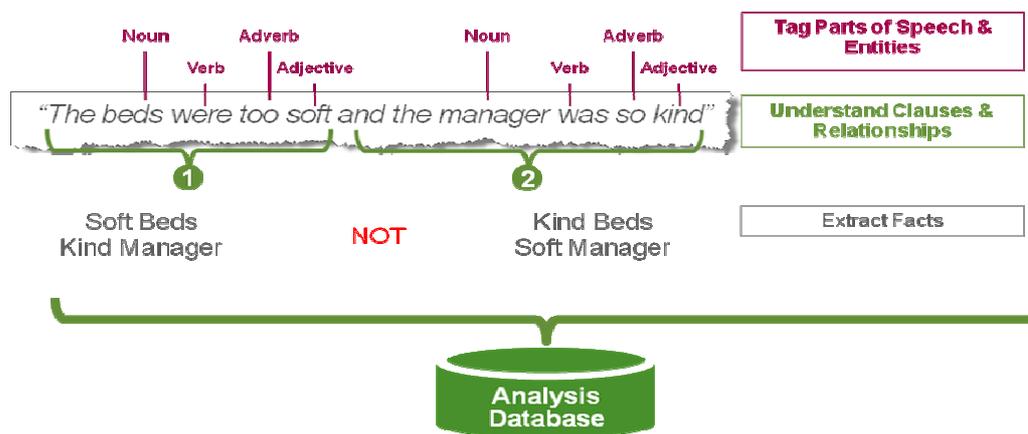


Figure 4: Unstructured data decomposition

2 – Then, words semantic relations are further analyzed, resulting in sentiment scores, which are used to improve Marketing strategies (figure 5).

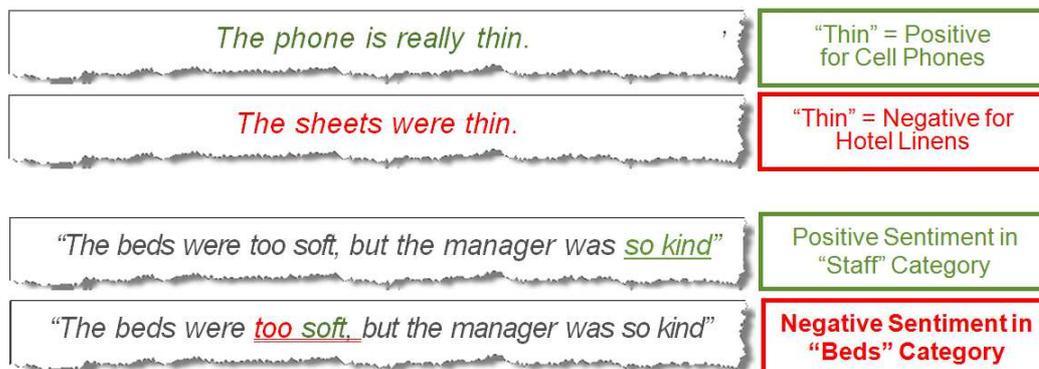


Figure 5: Semantic analysis

Social CRM Privacy Issues

Even though the pledge of knowing what customers are saying throughout social media sounds tempting, companies should take into account that legal issues regarding privacy can arise.

Maoz (2010) suggests some social rules of thumb that companies should abide while relating with customers through social CRM so as to avoid privacy pitfalls, they are:

- External networks that companies monitor, but do not own or create, are different from those owned by them. Then, companies should not influence these communities, unless it is clear and overt.
- In a social network created or sponsored by companies, customers have contextual rights. These include the right to be left alone unless they ask for company's assistance or are explicitly engaged in fraudulent or deceptive activities regarding company's products or services.
- Customers' data belongs to them. On the other hand, content they develop in companies' communities belongs to companies.
- Customers control the elements in their profiles, and no one else.
- Customers get to delete any and all of their social and personal data.
- Customers decide whether companies can track their movements.

Once companies follow the above rules of thumb, they establish credibility with their customer base and gain customers' trust. Trust, in turn, is key to customer loyalty and, ultimately, to profitability.

e - Performance Assessment Process

Social CRM demands an assessment performance process that allows a cross functional integration with ability to translate CRM strategy into managerial and operational.

Kim and Kim (2009) proposed a performance model called CRM scorecard with four perspectives, through which CRM results can be translated and assessed throughout organization. The perspectives are the organizational performance perspective (OPp), customer perspective performance (CPp), process perspective performance (PPp), and Infrastructure perspective performance (IPp).

OPp defines measures to indicate whether a corporate CRM strategy contributes to bottom-line improvement. CPp assesses how customers perceive companies efforts to deliver value. On the other hand, PPp encompasses all activities that create and deliver value to companies' clients, or even support it. Finally, IPp comprises all resources used to create and deliver value to companies' clients. These resources range from information technology (software, databases, networks, computers, etc.) to human resources and any social and cultural influence that surround them.

Social Media Performance Metrics

Due to its inherent subjective nature, social media performance metrics are still being a difficult theme. However, since companies have striven to aggregate it to their brand strategies arsenal, marketers have been pressed by the needs of finding metrics that can justify companies' investments in this area.

Fichter (2009) states that social media is about people and relationships, something that is challenging to "measure". She suggests that the first attempt towards social media assessment is

“listening to” what visitors are saying about your brand. Although this approach conveys some qualitative feedback, it is not enough to sustain continuous investment in social media.

The IAB User-Generated Content & Social Media Committee (2009) suggests some metrics that can be used to assess social media success. The IAB divided the metrics in three groups: social media sites metrics, blogs metrics, and social applications metrics.

- *Social media sites metrics*: Unique visitors, cost per unique visitor, page views, return visits, interaction rate, time spent (section, microsite, community), video installs, and relevant actions taken (custom to widget or application creative execution) and cost per relevant action.

- *Blogs metrics*: Number of conversation relevant sites, number of conversation relevant links, conversation reach, conversation density of conversation relevant posts, number of conversation relevant posts on the site, number of links to conversation relevant posts on the site, earliest post date for conversation relevant posts, latest post date for conversation relevant posts, duration between earliest and last post date for conversation relevant posts, earliest post date for conversation relevant posts, latest post date for conversation relevant posts, and mean-time between posts.

- *Social Media applications metrics*: Installs – applications, active users, audience profile, unique user reach, growth, influence, application/widget installs – user, active users/widgets in the wild, and longevity/lifecycle.

8 – DISCUSSION

Companies should realize that social CRM goes beyond information technology, it is a business strategy focused on integrating customers in active relationship, based on mutual value creation, collaborative communication, and customer’s engagement. Supported by social media applications and business processes. This definition expands social CRM horizons, allowing companies envisage further integration with all customer relationship channels and processes that support them. Nevertheless, this integration means look at CRM through a social perspective, which demands overall CRM improvement. In other words, it requires a social CRM strategic framework to guide companies during this endeavor.

Companies should approach social CRM taking into consideration its integration with CRM strategy process, value creation process, channel integration process, information management process, and performance assessment process. Otherwise, companies will face the same pitfalls that came up during the first CRM systems implementations, for example having a fragmented view of customer due to overlook the holistic nature of a CRM implementation.

While implementing Social CRM, companies should focus on defining objectives, which should be aligned with business mission and values, and communicate them to all departments. It will ensure that each employee knows his or her responsibility while interacting with customers. Moreover, companies’ customer strategy should incorporate new segmentation approaches, as social media creates new social roles, for example lead social media users, which opinions about products are usually more important for peers than company’s advertisement or technical reviews. It drives companies to elaborate new ways to assess customers’ value. Furthermore, social media tools enable customer to create value in several ways and, in turn, social CRM enables companies to explore the value exchange process in a coordinated fashion, for example R&D department can use social media to integrate lead users in product development process. Actions towards recognition of customers’ contributions are likely to bring customers closer to one of the main company process: value creation.

Another issue is related to use social media as a new channel to deliver and receive value. During interviews, CRM professionals admitted that social media call for a different treatment. However, they affirmed that at least the Brazilian companies have just started integrating traditional channels and have not included social media in their agenda yet. Nevertheless, review of literature suggested that social media can be used to deliver and receive value, but companies should take into consideration that they should foster customer communication instead of controlling it.

Throughout social media, people interact in many ways and levels, not only with company, but with peers (potential buyers), who they give and ask for opinions about personal and technical issues, purchase needs included.

During traditional CRM implementation, it has been noticeable the importance of selecting an appropriate CRM system that will support companies processes. Social CRM is even more dependent of technology as interactions among parties are mediated by information systems. Companies should find products that collect and analyze external unstructured data, and integrate them with internal structured data. Another challenge is to keep track of customers' activities in social media. It can be rather difficult, since customers who use social media usually have multiple roles and personas. Moreover, customers have to feel comfortable in disclosing personal information to companies, which responsibility is guarantee that customers' data will be used according customer's prior authorization.

Companies have to measure their social CRM performance. Unfortunately, little work has been done on this subject yet, something that makes investments in social CRM risky. One solution is to adapt traditional CRM metrics, but it is not enough to measure all social media impact on customer relationship management. Nevertheless, some institutes have created metrics to measure social media campaign effectiveness, but it is rather addressed to measure word of mouth, overlooking other social media outcomes, for example value co creation, and customer auto service activities. In the absence of standard metrics, companies should create their own performance indicators, taking into accounting the objectives they want to reach by using social media

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